

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

BBF 2134 – FINANCIAL MARKETS AND INSTITUTIONS (All sections / Groups)

8th October 2015
2:30 p.m to 4:30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages with 5 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Allianz Malaysia Berhad provides general insurance, which includes underwriting of all classes of general insurance business, and life insurance, which includes underwriting of all classes of life insurance business. Allianz Malaysia was founded in 1972 and based in Kuala Lumpur, Malaysia. The company is listed on Bursa Malaysia under the Main Market. You are required to prepare the Statement of Profit and Loss for the Year ended 31 December 2014 based on the following items :-

Items		RM ('000)
Investment income	1	375,393
Gross earned premiums	2	4,000,791
Fee and commission income	3	98,785
Gross benefits and claims paid	4	(1,600,463)
Change in contract liabilities ceded to reinsurers	5	160,390
Fee and commission expense	6	(574,894)
Tax expense	7	(127,628)
Other operating expenses	8	(33,732)
Management expenses	9	(436,026)
Premiums ceded to reinsurers	10	(746,458)
Realised gains and losses	11	23,313
Fair value gains and losses	12	(15,872)
Claims ceded to reinsurers	13	263,626
Gross change in contract liabilities	14	(1,113,527)
Other operating income	15	22,204

(10 marks)**QUESTION 2**

Development Financial Institutions are specialised financial institutions established by the government with specific mandate to develop and promote key sectors that are considered of strategic importance to the overall socio-economic development objectives of the country. These strategic sectors include agriculture, small and medium enterprises (SMEs), infrastructure, maritime, export-oriented sector as well as capital intensive and high technology industries. List **five (5)** Development Financial Institutions in Malaysia together with their sectors assigned by the government to develop and promote.

(10 marks)**Continued...**

QUESTION 3

Malaysian Government Securities (MGS) are long-term bonds issued by the Government of Malaysia for financing developmental expenditure. MGS are issued via competitive auction by the central bank of Malaysia (Bank Negara Malaysia) on behalf of the Government. Successful bidders are determined according to the lowest yields offered and the coupon rate is fixed at the weighted average yield of successful bids. To enable the Government to consistently issue new MGS in all market conditions including periods of fiscal balance or surpluses, the Government may conduct switch auction whereby it buys back or redeem a certain pre-determined MGS that is illiquid and replace them with a more liquid benchmark MGS.

- a) If you are interested in buying MGS which have a four-year, RM1,000 par value MGS purchased today at a yield to maturity of 15 percent, coupon rate is 11 percent, calculate the value of duration for MGS.

(6 marks)

- b) Now suppose the market interest rate on comparable bonds falls to 14 percent. The bond's coupon rate is 11 percent and it pays interest at year's end. What is the percentage change in the bond's price?

(4 marks)

(Total: 10 marks)

QUESTION 4

- a) Even though Exchange traded funds (ETFs) was first introduced in 1993, to Malaysian investors, ETFs are still new financial products. ETFs have increased in popularity especially among index investors.

Give **one (1)** example of ETFs traded on Bursa Malaysia and give **four (4)** reasons why ETFs have increased in popularity, as an alternative to index funds.

(5 marks)

Continued...

- b) After the Asian Financial Crisis in 1997, Malaysian has introduced the first Financial Sector Masterplan for the period 2001- 2010 to ensure financial stability of Malaysian financial market. To date, all recommendations under FSMP have been implemented or are being implemented on an ongoing basis. With increasingly competitive environment as the financial sector became more deregulated and market oriented, the second masterplan, the Financial Sector Blueprint was released in 2011 for the period 2011-2020. In line with this Blueprint, new legislations were enacted and old legislations were repealed. List those regulations repealed and enacted.

(5 marks)

(Total: 10 marks)

QUESTION 5

On 15th August, 2015, Ambank dealers entered into a 7-day Repo with PB dealers at 5.25 percent Repo rate. Ambank dealers delivered to PB dealers nominal RM2.5 million, 3.25 percent, 6/2015 Cagamas Bonds due 30th June, 2020. The Cagamas Bond currently being traded at 103. Using these information,

- a) Calculate the proceed that PB dealers paid to Ambank dealers on 15th August, 2015. (2 marks)
- b) On what date does the Repo mature and what happen to the Cagamas Bond? (3 marks)
- c) How much will PB dealers receive from Ambank dealers and on what date?

(5 marks)

(Total: 10 marks)

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